



The National Assembly for Wales
Resource Accounts
For the period 7 May 1999 to 31 March 2000

**The National Assembly for Wales
Resource Accounts
7 May 1999 to 31 March 2000**

FOREWORD TO THE ACCOUNTS

Format of the accounts

The financial statements of the National Assembly for Wales (the Assembly) have been prepared in accordance with the Accounts Direction issued by HM Treasury, under Section 97 of the Government of Wales Act. A copy of the Accounts Direction is available from The National Assembly for Wales Financial Accountability Division at Cathays Park, Cardiff, CF10 3NQ.

Function and operation

In July 1997, the Government published its White Paper "A Voice for Wales" which outlined its proposals for devolution in Wales. These proposals were endorsed in the referendum of 18 September 1997. Subsequently, Parliament passed the Government of Wales Act 1998, which established the Assembly, and the National Assembly for Wales (Transfer of Functions) Order 1999, which transferred the devolved powers and responsibilities from the Secretary of State for Wales to the Assembly

The Assembly came into existence on 7 May 1999. The majority of the staff and functions of the Welsh Office were transferred to the Assembly on 1 July 1999. The responsibilities remaining with the Secretary of State for Wales are dealt with by the Wales Office, (Office of the Secretary of State for Wales).

From 1 July 1999, the Assembly has the power to develop and implement policy in a range of areas including: agriculture, economic development, education, environment, health, transport, housing, local government, social services and the Welsh language.

Principal aim and objectives

The Assembly's overall aim is to increase economic prosperity and improve the quality of life for all the people of Wales, to promote social inclusion, to extend democratic accountability and to deliver better services throughout Wales, supported by the following objectives:

- to secure greater involvement of the people of Wales in decisions taken by their democratically elected representatives with the establishment of the Assembly and an enhanced democratic and accountable local government;
- to increase the rate of sustainable growth throughout Wales and improve the competitiveness of the Welsh economy with increased economic opportunity across Wales through modern quality enterprises and innovation, leading to greater job opportunity and also, improved stewardship of the Welsh countryside through sustainable and adaptable farming practices;

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- to improve social, economic and physical conditions in Wales with regeneration of both urban and rural areas, including improved homes and means of transport, whilst maintaining the environment;
- to provide a high quality education and training system directed at continuous improvement and achievement through continuing to raise educational standards and achievement from pre-primary school onward;
- to increase opportunities for lifelong learning through an improved education and training structure in order to further a skilled employable workforce;
- to promote the health and well-being of everyone living in Wales and provide effective and efficient health and social services through equal access to healthcare for both young and old, including support in the community;
- to promote the international and European status of Wales;
- the Assembly has adopted additional objectives for 2000-2001 which may be found at www.betterwales.com, or in the publication 'www.betterwales.com – The National Assembly for Wales Strategic Plan'. Copies are available free from the Assembly's Policy Unit.

Funding

During the period 7 May 1999 to 31 March 2000 the Assembly's funding was provided by Parliament through the Wales Office.

Departmental accounting boundary

These accounts reflect the assets, liabilities and results of the Assembly.

The Assembly is responsible for operating the finance function of the Royal Commission for Ancient and Historic Monuments (Wales) and consequently has included its expenditure in these accounts.

Results for the period

The results for the period are reported in detail in the attached accounts. They record a net operating cost of £5,400,748,000 and a net outturn against Assembly budget of £5,766,352,000.

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Movements in fixed assets

Fixed asset additions in the period were £72,233,000, including £43,998,000 for road network assets under construction. Fixed assets were re-valued in the period, resulting in a net increase in value of £248,982,000, of which £242,884,000 related to roads and infrastructure assets.

Lending and Investing Activities

As part of its normal course of business the Assembly issues loans or Public Dividend Capital to other public sector bodies in Wales. The majority of these funds are issued to the National Health Service in Wales. Other loans exist with Local Authorities, Education Authorities and Housing Associations. Additionally, the Assembly acts as an agent for the National Loans Fund showing a loan with the Welsh Development Agency as both an asset and liability in its Balance Sheet.

At 31 March 2000 the Assembly had outstanding investments totalling £1,175,157,000, comprising outstanding advances from the National Loans Fund of £12,460,000, Public Dividend Capital of £1,159,825,000 and other loans of £2,872,000.

The Assembly's loan funds are lent at a variety of interest rates, mostly determined by Treasury.

Review of activities

The activities of the Assembly are reported each year in its Annual Report. This document is laid before the Assembly and is published on the Assembly web site.

Organisational development

From 1 July 1999, the Assembly assumed responsibility for devolved matters in accordance with the Transfer of Functions Order made under the Government of Wales Act 1998. This resulted in the majority of Welsh Office staff transferring to the Assembly, with some 30 staff remaining with the Wales Office. Most of the assets and liabilities of the Welsh Office transferred to the Assembly. 'Cadw: Welsh Historic Monuments' (Cadw) became an executive agency of the Assembly.

Operational targets

A number of operational targets are agreed by the Assembly. Performance against these targets is published in the Annual Report.

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Equal opportunities

The Assembly is an Equal Opportunities employer. Policies are in place to guard against discrimination which are aimed to ensure that there are no unfair or illegal discriminatory barriers to access to employment or careers advancement in the Assembly.

The Assembly has an Equal Opportunities Committee supported by an Equal Opportunities Officer who is responsible for developing and promulgating Equal Opportunities policies.

The Assembly Equal Opportunities policy states that all staff should be treated equally irrespective of their sex, marital status, age, race, ethnic origin, sexual orientation, disability or religion. Employment and promotion is solely on merit. Staff who have alternative working patterns are assessed on exactly the same basis as those working full-time.

Senior official appointments

The permanent head of the Assembly was appointed by the Prime Minister on the recommendation of the Head of the Home Civil Service. The appointment is for an indefinite term under the terms of the Senior Civil Service contract. The rules of appointment are set out in chapters 5 and 11 of the Civil Service Management Code.

Some of the other members of the Management Board are appointed following approval by the Prime Minister on the recommendation of the Head of the Home Civil Service. All these appointments are for an indefinite term under the terms of the Senior Civil Service contract. The rules for appointment are set out in chapters 5 and 11 of the Civil Service Management Code.

Remuneration of Assembly Members and the Management Group

Assembly members' remuneration is determined by the Assembly under the provisions of Section 16 of the Government of Wales Act.

The Permanent Secretary's remuneration is set individually by the Head of the Civil Service on the recommendation of the Permanent Secretary's Remuneration Committee.

For other members of the Management Board, remuneration is determined by the Assembly Remuneration Committee chaired by the Permanent Secretary. Further details on remuneration are set out in note 2 to these accounts.

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Pensions and early departure costs

Details of the Assembly's pensions and early departure costs policies are included in the notes 1 and 2 to these accounts.

Cabinet and Senior Officers

There were 9 Assembly Cabinet posts during the period:

First Secretary:

Rhodri Morgan (from 15 February)

Alun Michael (to 9 February)

Assembly Secretaries:

Rhodri Morgan (to 14 February)

Rosemary Butler

Andrew Davies

Sue Essex (from 22 February)

Christine Gwyther

Edwina Hart

Jane Hutt

Peter Law

Tom Middlehurst

The composition of the Assembly Management Board during the period was as follows:

| Senior Official | Post Held | Senior Official | Post Held |
|------------------------|--|------------------------|--|
| Mr Jon Shortridge | Permanent Secretary | Mrs Barbara Wilson | Principal Establishment Officer (7-5-99 to 19-9-99) |
| Mr John Lloyd CB | Clerk to the Assembly | Mr Bryan Mitchell | Principal Establishment Officer (from 20-9-99) |
| Mr George Craig | Senior Director | Mr David Richards | Principal Finance Officer |
| Mr Derek Jones | Senior Director | Mr Winston Roddick | Counsel General |
| Mr Peter Gregory | Director of the National Health Service in Wales | QC | |

Payment policy

Under the Late Payment of Commercial Debts (Interest) Act 1998, the Assembly is required to pay suppliers' invoices not in dispute within 30 days of receipt of goods or services or valid invoice, whichever is the later.

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The Assembly aims to pay 100% of invoices, including disputed invoices once the dispute has been settled, in line with these terms. During the period ending 31 March 2000, the Assembly paid 94.3% of all invoices within the terms of its payment policy.

Auditors

The accounts of the Assembly are audited by the Auditor General for Wales in accordance with the Government of Wales Act 1998.

Events since the end of the financial period

There have been no events since the balance sheet date that affect the understanding of these financial statements.

**Jon Shortridge
Permanent Secretary
29 November 2000**

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**STATEMENT OF ASSEMBLY ACCOUNTING OFFICERS'
RESPONSIBILITIES**

1. Under Section 97 of the Government of Wales Act 1998, the Assembly is required to prepare accounts for each financial year, in accordance with directions given to it by the Treasury. The Treasury direction requires the detailing of the resources acquired, held, or disposed of during the period and the use of resources by the Assembly during the period. As the date of establishment of the Assembly was 7 May 1999, these accounts cover the period from that date to 31 March 2000.
2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Assembly, its net operating cost, recognised gains and losses and cash flows for the financial period.
3. Under Section 98 of the Government of Wales Act the Treasury has appointed the Permanent Secretary as Principal Accounting Officer of the Assembly. The Principal Accounting Officer is responsible for the overall organisation, management and staffing of the Assembly. This includes responsibility for Assembly-wide systems in finance and other matters, where these are appropriate, and for the management of the Assembly's net cash requirement. He is also responsible for preparing and signing the Assembly's resource accounts.
4. In preparing the accounts the Principal Accounting Officer is required to comply with the Resource Accounting Manual prepared by the Treasury, and in particular to:
 - observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - make judgements and estimates on a reasonable basis;
 - state whether applicable accounting standards as set out in the Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts;
 - prepare the accounts on a going concern basis.
5. Under Section 98 of the Government of Wales Act the Treasury may designate other members of the Assembly's staff as additional Accounting Officers. The Treasury has appointed the Director of the National Health Service in Wales and the Clerk to the Assembly to be additional Accounting Officers responsible for the finances relating to their operational areas. These appointments do not detract from the Permanent Secretary's overall responsibility as Principal Accounting Officer for the Assembly's accounts.

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6. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records, for safeguarding the Assembly's assets, and for taking reasonable steps to prevent and detect fraud and other irregularities, are set out in the Assembly Accounting Officers' Memorandum, issued by the Treasury.
7. The relationship between the Principal Accounting Officer of the Assembly and the additional Accounting Officers, together with their respective responsibilities, are set out in a written agreement between officials.

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. This statement is given in respect of the resource account for the National Assembly for Wales. As Accounting Officer for the Assembly, I acknowledge my overall responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned. I have delegated some of these responsibilities to two additional Accounting Officers, the relationship between us being set out in a written statement.
2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by the executive managers within the Assembly. In particular the system includes:
 - a comprehensive budgeting system within an annual budget set by the Assembly;
 - the preparation of regular financial reports which indicate actual expenditure against forecasts;
 - setting targets to measure financial and other performance;
 - regular reviews by the Management Board of financial and other performance against the forecasts;
 - clearly defined capital investment control guidelines;
 - as appropriate, formal project management disciplines.
4. The Assembly has an Internal Audit Unit which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit unit is informed by an analysis of the risks to which the Assembly is exposed, and annual internal audit plans are based on this analysis. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the Assembly. The report includes the HIA's independent opinion on the adequacy and effectiveness of the system of internal financial control. My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors. I am also supported by a Corporate Governance Committee which reviews the work of Internal Audit.

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5. My review of the effectiveness of the system of internal financial control is informed by :

- the executive managers within the Assembly who are required to provide certificates of assurance relating their system of internal financial control. These include identification of areas which may need to be strengthened; and
- the work of the Internal Audit Unit as described above;
- the external auditors in their management letter and other reports.

6. The monthly reconciliation of the Assembly's general ledger to its bank statements is a key financial control. However, during 1999-2000 the completion of these has been significantly delayed with reconciliations at 31 March 2000 being some six months late. I have taken steps to ensure that all such reconciliations are up to date as soon as possible and that all future reconciliations are completed in a timely manner.

Implementation of the Turnbull Report

7. As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002.

Jon Shortridge
Permanent Secretary
29 November 2000

THE CERTIFICATE AND REPORT OF THE AUDITOR GENERAL FOR WALES TO THE MEMBERS OF THE NATIONAL ASSEMBLY FOR WALES

I certify that I have audited the financial statements on pages 13 to 42 under Section 97 of the Government of Wales Act 1998. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 17 to 21.

Respective responsibilities of the Accounting Officer and Auditor

As described on pages 7 and 8 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government of Wales Act 1998 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the National Assembly for Wales has not kept proper accounting records or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 9 and 10 reflects the National Assembly for Wales's compliance with Treasury's guidance "Corporate Governance: statement on the system of internal financial control". I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the National Assembly for Wales in the preparation of the financial statements, and of whether the accounting policies are appropriate to the National Assembly for Wales's circumstances, consistently applied and adequately disclosed.

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I planned and performed my audit to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the National Assembly for Wales at 31 March 2000 and of the net operating cost, total recognised gains and losses and cash flows for the period 7 May 1999 to 31 March 2000, and have been properly prepared in accordance with the Government of Wales Act 1998 and directions made thereunder by the Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial statements conform to the authorities which govern them.

See also my report on pages 43 to 49.

**John Bourn
Auditor General for Wales
21 December 2000**

**National Assembly for Wales
Cardiff Bay
CARDIFF CF99 1NA**

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Operating Cost Statement

| | | To 31 March 2000 | |
|---|------|------------------|------------------|
| | | £000 | £000 |
| PROGRAMME COSTS | | | |
| <i>Health & Social Services</i> | | | |
| Expenditure | | 2,350,926 | |
| Non-EU Income | | <u>(165,019)</u> | |
| | | | 2,185,907 |
| <i>Local Government</i> | | | |
| Expenditure | | 1,779,230 | |
| Non-EU Income | | <u>-</u> | |
| | | | 1,779,230 |
| <i>Housing, Transport & Environment</i> | | | |
| Expenditure | | 702,814 | |
| Non-EU Income | | <u>(19,509)</u> | |
| | | | 683,305 |
| <i>Agriculture & Rural Development</i> | | | |
| Expenditure | | 204,216 | |
| Non-EU Income | | <u>(71)</u> | |
| | | | 204,145 |
| <i>Economic Development</i> | | | |
| Expenditure | | 222,010 | |
| Non-EU Income | | <u>(4,160)</u> | |
| | | | 217,850 |
| <i>Education & Training</i> | | | |
| Expenditure | | 587,232 | |
| Non-EU Income | | <u>(4,746)</u> | |
| | | | 582,486 |
| <i>Welsh Administration Ombudsman & Health Commissioner</i> | | | |
| Expenditure | | <u>300</u> | |
| | | | 300 |
| <i>Auditor General for Wales</i> | | | |
| Expenditure | | <u>851</u> | |
| | | | 851 |
| <i>Estyn: Funding of Her Majesty's Inspectorate for Education and Training in Wales</i> | | | |
| | | | <u>6,569</u> |
| Net Programme Costs | | | 5,660,643 |
| Assembly Members' Costs | Note | | |
| Salaries | 2 | 2,586 | |
| Other Assembly Costs | 3 | 11,647 | |
| Income | 6 | <u>(386)</u> | |
| | | | 13,847 |
| ADMINISTRATION COSTS | Note | | |
| Staff Costs | 2 | 44,509 | |
| Other Administration Costs | 3 | <u>17,896</u> | |
| Gross Administration Costs | | 62,405 | |
| Administration Income | 6 | <u>(948)</u> | |
| Net Administration Cost | | | 61,457 |
| NET OPERATING COST MET FROM ASSEMBLY BUDGET | | | 5,735,947 |
| Programme Income & Expenditure outside Assembly Budget | | | |
| EU Income | | (138,627) | |
| Department for Social Security Health Funding | | (216,703) | |
| Non-Domestic Rate Expenditure | | 19,917 | |
| Other Programme Expenditure | | <u>1,107</u> | |
| | | | (334,306) |
| Non retainable income relating to operating income | | | |
| EU and Other Income | | | <u>(893)</u> |
| NET OPERATING COST | | | 5,400,748 |

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Outturn against the Assembly budget

| | | At 31 March 2000 | |
|--|------|-------------------------|-------------------------|
| | Note | £000 | £000 |
| Net Operating Cost met from Assembly budget | | | 5,735,947 |
| Credit Approvals Issued in Period: | 25 | | |
| Agriculture & Rural Development | | 2,275 | |
| Housing Transport & Environment | | 18,542 | |
| Economic Development | | 7,075 | |
| Education & Training | | 2,513 | |
| | | <u>30,405</u> | |
| Net Outturn Against Assembly Budget | | | <u>5,766,352</u> |

Statement of Recognised Gains and Losses

for the period ended
31 March 2000

To 31 March 2000

£000

Net gain on revaluation of tangible fixed assets

249,049

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Balance Sheet

| | Note | At 31 March 2000 | | At 7 May 1999 | |
|--|------|------------------|-------------------------|---------------|-----------------|
| | | £000 | £000 | £000 | £000 |
| Fixed Assets | | | | | |
| Tangible Assets | 9 | | 6,886,966 | - | - |
| Investments | 10 | | 1,175,157 | - | - |
| Current Assets | | | | | |
| Stocks | 12 | 2,323 | | - | |
| Debtors | 13 | 210,754 | | - | |
| Cash at bank and in hand | 14 | 528,329 | | - | |
| | | <u>741,406</u> | | <u>-</u> | |
| Creditors: amounts falling due within one year | 15 | <u>(886,777)</u> | | <u>-</u> | |
| Net Current Liabilities | | | (145,371) | | - |
| Total Assets less Current Liabilities | | | <u>7,916,752</u> | | <u>-</u> |
| Creditors: amounts falling due after more than one year | 15 | | (32,117) | - | |
| Provisions for Liabilities and Charges | 16 | | (1,080) | - | |
| | | | <u>7,883,555</u> | | <u>-</u> |
| Taxpayer's Equity | | | | | |
| General Fund | 18 | | 7,644,933 | - | |
| National Loans Fund Loans | 10 | | 12,460 | - | |
| Revaluation Reserve | 17 | | 226,162 | - | |
| | | | <u>7,883,555</u> | | <u>-</u> |

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Cash Flow Statement

| | | To 31 March 2000 |
|--|------|------------------------------|
| | Note | £000 |
| Net cash outflow from operating activities | | (4,882,028) |
| Capital expenditure and financial investment | 8 | (63,622) |
| Non operating receipts surrenderable to consolidated fund | 7 | 429,609 |
| Payments to the Consolidated Fund via Wales Office | | (2,845) |
| Funds transferred from Wales Office to cover adjustments to transferred liabilities | | 9,511 |
| Further adjustment arising from cancellation of payable instruments | | 206 |
| Financing from National Loans Fund | | 45 |
| Interest received surrenderable to the National Loans Fund | | 1,957 |
| Payments to the National Loans Fund via Wales Office | | (2,246) |
| Financing from Consolidated Fund via Wales Office | | 5,037,907 |
| Increase in cash in the period | | <u><u>528,329</u></u> |

Reconciliation of operating cost to operating cash flows

| | | |
|---|------|--------------------------------|
| Net operating cost | Note | 5,400,748 |
| Provisions utilised | 16 | 315 |
| Non-cash transactions - Administration costs | 3,6 | (2,211) |
| - Programme costs | 4 | (381,024) |
| Movements in working capital other than cash | 11 | (135,800) |
| Net cash outflow from operating activities | | <u><u>4,882,028</u></u> |

Analysis of capital expenditure and financial investment

| | | |
|---|------|-----------------------------|
| | Note | |
| New issues | 8 | 53,251 |
| Repayments | 8 | (59,508) |
| Payments to acquire fixed assets | 8 | 70,634 |
| Receipts from disposal of fixed assets | 8 | (755) |
| Net cash outflow from investing activities | | <u><u>63,622</u></u> |

Analysis of financing

| | | |
|---|--|--------------------------------|
| From Consolidated Fund via Wales Office | | 5,037,907 |
| Funds transferred from Wales Office | - to cover adjustment to transferred liabilities | 9,511 |
| | - further adjustments arising from cancellation of payable instruments | 206 |
| Receipts surrenderable to the National Loans Fund | | 2,246 |
| Payments to the National Loans Fund | | (2,246) |
| (Increase) in cash | | (528,329) |
| Net cash requirement | | <u><u>4,519,295</u></u> |

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Notes to the Assembly Resource Accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the *Resource Accounting Manual* issued by HM Treasury. The particular accounting policies adopted by the Assembly are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

As these accounts are the first to be prepared for the Assembly they do not include any prior year comparative figures. The period of these accounts is 7 May 1999 to 31 March 2000. Assembly Members' pay and expenses were funded from 7 May 1999. The functions of the Welsh Office did not transfer to the Assembly until 1 July 1999.

1.1 *Accounting convention*

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets at their value to the Assembly by reference to their current costs. The accounts comply with the Code of Practice contained in the *Resource Accounting Manual* as supplemented by specific Treasury dispensation, which applied for the period of these accounts only and allowed the Assembly to omit Schedule 1 'Statement of Resource Outturn' and Schedule 5 'Statement of Resources by the Assembly's Aim and Objectives'.

1.2 *Consolidation*

These accounts relate to the core Assembly only. The Assembly has received a dispensation from HM Treasury for this period only from the requirement to consolidate within these accounts the accounts of the Assembly's executive agency, Cadw and the Health Authorities in Wales. Cadw and the National Health Service in Wales publish their own annual accounts.

1.3 *Tangible fixed assets*

The property which the Assembly occupies is capitalised and appears on the balance sheet. Freehold land and buildings have been restated at current cost using professional valuations every five years and appropriate indices in intervening years, with the exception of surplus land held for immediate disposal which is included at its market value.

The Assembly has developed a computer model to estimate the value of the roads network. The roads network consists of the major trunk roads and associated structures in Wales. The model observes the principles of the 'Appraisal and Valuation Manual' of the Royal Institute of Chartered Surveyors. In determining the gross valuation the Assembly has capitalised the annual cost of maintaining the network.

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Heritage properties in the care of the Assembly are of inestimable value and are not, therefore, included in the balance sheet. Plant, equipment, fixtures and fittings, and vehicles have been restated at their net current replacement cost using appropriate indices.

The minimum level for capitalisation of individual assets is £5,000.

1.4 Depreciation

The depreciation charge for the roads network consists of three elements:

- the annual maintenance charge;
- an estimate of the permanent deterioration in the condition of the network in the year (which has been calculated by the computer model, based on latest actual data on the condition of the network referred to in the fixed assets note above); and
- calculated depreciation of the structures.

Depreciation is provided on other tangible fixed assets at rates calculated to write off the value of tangible fixed assets by equal instalments over their estimated useful lives. Lives are in the following ranges:

- | | |
|--------------------------------|----------------|
| • Freehold buildings | up to 60 years |
| • Plant, equipment & computers | 3 to 20 years |
| • Furniture & fittings | 5 to 10 years |
| • Motor vehicles | 5 to 10 years |

Freehold land is not depreciated.

Impairments of tangible fixed assets are charged to the operating cost statement in the period in which they have occurred.

1.5 Investments

Loans and Public Dividend Capital (PDC) issued by the Assembly are shown at historical cost.

1.6 Stocks

Stock is valued at the lower of cost and net realisable value.

1.7 Operating income

Operating income relates directly to the operating activities of the Assembly. It includes both retainable income and income surrenderable to the Consolidated Fund which HM Treasury has agreed should be treated as operating income.

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1.8 Administration & Programme expenditure

The operating cost statement is analysed between administration and programme costs. Administration costs reflect the costs of running the Assembly as defined under HM Treasury's administration cost control regime, together with associated operating income. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Assembly.

1.9 Capital charge

A charge, reflecting the cost of capital utilised by the Assembly, is included in operating costs. The charge is calculated at the government's standard rate of 6 per cent in real terms on all assets less liabilities, except for cash balances held by the Office of the Paymaster General, amounts repayable to the Consolidated Fund included in debtors and amounts owing to the Consolidated Fund included in creditors.

1.10 Value Added Tax (VAT)

Expenditure is accounted for VAT inclusive except for expenditure on contracted out services or the business activities of Cadw which are accounted for net of recoverable VAT.

1.11 Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is non-contributory and unfunded. Although the Scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. Government bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole.

The Members of the Assembly are covered by a separate contributory pension scheme, with defined benefits. The Assembly contributes amounts to this scheme, in accordance with the recommendations of the scheme's actuary. A separate set of accounts are prepared for the scheme, and published by the Assembly.

1.12 Early departure costs

The Assembly is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Assembly provides in full for this cost when the early retirement programme has been announced and is binding. The Assembly may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the

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credit of the Civil Superannuation Vote. The amount provided is shown net of any such payments.

1.13 European Union (EU) income

Funds received from the EU, whatever the source, are treated as income and shown in the operating cost statement.

1.14 The Royal Commission for Ancient and Historical Monuments (Wales)

The Royal Commission is an executive non-departmental public body empowered by Royal Warrant to maintain a national monument record of ancient and historical sites in Wales. The Assembly, under directions from Treasury, operates the finance function of the Commission and consequently includes its expenditure in these accounts.

1.15 Operating leases

Expenditure under operating leases is charged to the Operating Cost Statement in the period in which it occurs.

1.16 Grants payable

Grant schemes administered by the Assembly were assessed individually and creditor and debtor balances compiled for material schemes.

In accordance with the Resource Accounting Manual, matters such as the period covered by the claims, the timing of the submission of the claims and the timing of the payments were taken into consideration when establishing the entitlement to grant and the basis for the creditor and debtor calculations.

Certain grant claim expenditure may be subject to scrutiny by local authority auditors. Audit of some of these claims had not been completed by the time these accounts were produced. Any adjustments arising from the audit will therefore be made in future accounting periods. These are not likely to be material.

1.17 Private Finance Initiative (PFI)/Public Private Partnership (PPP) transactions

Where the substance of the transaction is that the risks and rewards of ownership remain with the Assembly, the assets and liabilities remain on the Assembly's balance sheet. Where the risks and rewards are transferred to the private sector the transaction is accounted for in the Operating Cost Statement through service charges.

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1.18 Financial Instruments

In these accounts the Assembly has adopted Financial Reporting Standard (FRS) 13 - Derivatives and Other Financial Instruments: Disclosures. The Assembly issues financial instruments, in particular loans, to other public sector bodies in Wales such as NHS bodies. This lending occurs as part of its normal course of activities and the Assembly does not undertake any trading activity in these financial instruments. The Assembly has taken advantage of the exemption available for short term debtors and creditors. For issues of public dividend capital, fair value was calculated as the net assets of the recipient body (stated after deducting any provisions for liabilities & charges) less the amount of any loan included in the balance sheet. Other loans were discounted over their remaining life using the National Loans Fund rate of 6 per cent.

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2. Staff Numbers and Costs

The average number of whole-time equivalent persons employed (including senior management) during the period was 2,533.

The aggregate payroll costs of Assembly Members and staff were as follows:

| | Assembly Members £000 | Assembly Officials £000 | Special Advisers £000 | TOTAL £000 |
|-----------------------|-----------------------------|-------------------------------|-----------------------------|---------------|
| Salaries | 2,013 | 36,895 | 109 | 39,017 |
| Social Security Costs | 186 | 2,679 | 9 | 2,874 |
| Other Pension Costs | 387 | 4,810 | 7 | 5,204 |
| TOTAL | 2,586 | 44,384 | 125 | 47,095 |

Between 1 July 1999 and 31 March 2000 contributions of £4,790,601 were paid to the PCSPS at rates determined by the Government Actuary and advised by Treasury. These rates were in the range 12 - 18.5% of pensionable pay.

The salary and pension entitlements of the Cabinet and most senior members of the Assembly were as follows:

Cabinet Members Salaries (from 7 May 1999)

| Name | Position | Age | Salary for period 7.5.99 to 31.3.00 (£k) | Increase in Pension at age 65 (£k) | Total Accrued Pension at age 65 at 31.3.00 (£k) |
|------------------------|---|------------|---|---|--|
| Rhodri Morgan* | Assembly Secretary (to 14 February) First Secretary (from 15 February) | 60 | 20-25 | 0-2.5 | 0-2.5 |
| Alun Michael* | First Secretary (to 9 February) | 56 | 40-45 | 0-2.5 | 0-2.5 |
| Rosemary Butler | Assembly Secretary | 57 | 60-65 | 0-2.5 | 0-2.5 |
| Andrew Davies | Assembly Secretary | 47 | 60-65 | 0-2.5 | 0-2.5 |
| Sue Essex [#] | Assembly Secretary | 54 | 30-35 | 0-2.5 | 0-2.5 |
| Christine Gwyther | Assembly Secretary | 41 | 60-65 | 0-2.5 | 0-2.5 |

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| | | | | | |
|-----------------|--------------------|----|-------|-------|-------|
| Edwina Hart | Assembly Secretary | 43 | 60-65 | 0-2.5 | 0-2.5 |
| Jane Hutt | Assembly Secretary | 50 | 60-65 | 0-2.5 | 0-2.5 |
| Peter Law | Assembly Secretary | 52 | 60-65 | 0-2.5 | 0-2.5 |
| Tom Middlehurst | Assembly Secretary | 63 | 60-65 | 0-2.5 | 0-2.5 |

*Neither Rhodri Morgan nor Alun Michael claimed their full salary entitlement.

#Sue Essex became Assembly Secretary for Transport, Planning & Environment on 22 February 2000.

Presiding Officer

| | | | | | |
|-------------------------|-------------------|----|-------|--------|--------|
| Lord Dafydd Elis-Thomas | Presiding Officer | 53 | 60-65 | 7.5-10 | 7.5-10 |
|-------------------------|-------------------|----|-------|--------|--------|

Senior Management (for 9 months to 31 March 2000)

| Name | Position | Age | Salary For period 1.7.99 to 31.3.00 (£k) | Increase in Pension at age 60 (£k) | Total Accrued Pension at age 60 at 31.3.00 (£k) |
|-----------------|---|------------|---|---|--|
| Jon Shortridge | Permanent Secretary | 53 | 75-80 | 2.5 - 5 | 20 - 25 |
| George Craig | Senior Director | 53 | 60-65 | 0 - 2.5 | 30 - 35 |
| Derek Jones | Senior Director | 47 | 55-60 | 0 - 2.5 | 20 - 25 |
| John Lloyd | Clerk to Assembly | 59 | 70-75 | 0 - 2.5 | 40 - 45 |
| Winston Roddick | Counsel General | 59 | 85-90 | 0 - 2.5 | 0 - 5 |
| Huw Brodie | Director, Agriculture | 41 | 40-45 | 0 - 2.5 | 10 - 15 |
| Michael Cochlin | Director, Economic Development | 59 | 50-55 | 0 - 2.5 | 30 - 35 |
| Richard Davies | Director, Training & Education | 50 | 55-60 | 0 - 2.5 | 20 - 25 |
| Martin Evans | Director, Transport, Planning & Environment | 52 | 50-55 | 0 - 2.5 | 20 - 25 |

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| | | | | | |
|------------------|--|----|-------|---------------------------|---------|
| Peter Gregory | Director, NHS Wales | 53 | 55-60 | 0 - 2.5 | 25 - 30 |
| Ruth Hall | Chief Medical Officer | 52 | 65-70 | 0 - 2.5 | 0 - 5 |
| Rosemary Kennedy | Chief Nursing Officer | 52 | 40-45 | 0 - 2.5 | 20 - 25 |
| Bryan Mitchell | Principal Establishment Officer (from 20-9-99) | 55 | 45-50 | 0 - 2.5 | 25 - 30 |
| Adam Peat | Director, Local Government | 51 | 50-55 | Not a member of the PCSPS | |
| Matthew Quinn | Head of Policy | 36 | 40-45 | 0 - 2.5 | 5 - 10 |
| David Richards | Principal Finance Officer | 45 | 40-45 | 0 - 2.5 | 15 - 20 |
| Helen Thomas | Director, Social Services | 49 | 45-50 | 0 - 2.5 | 10 - 15 |
| Graham Williams | Chief Inspector, Social Services | 51 | 45-50 | 0 - 2.5 | 10 - 15 |
| Barbara Wilson | Principal Establishment Officer (7-5-99 to 19-9-99) Deputy Clerk to Assembly (20-9-99 to 31-3-00) | 52 | 45-50 | 0 - 2.5 | 15 - 20 |

Salaries include gross salaries, performance bonuses payable, reserved rights to London Weighting or London allowances, recruitment and retention allowances, and private office allowances. It does not include the estimated monetary value of any benefits in kind.

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS). This is a statutory scheme, which provides benefits on a "final salary" basis at a normal retirement age of 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of the service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. Pensions increase in payment in line with the Retail Price Index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension.

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On death in service, the scheme pays a lump-sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is also possible in the event of serious ill-health. In this case, pensions are bought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Total accrued pensions relate to PCSPS only and do not include the value of any benefits transferred to the scheme.

The Assembly operates a pension scheme for Assembly Members providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Assembly and are managed by an appointed Investment Manager.

The Government Actuary is required to make a report on the general financial position of the scheme every three years and to make recommendations on the future rate of the Assembly's employer contribution. An initial valuation of the scheme's accruing liabilities was carried out as at 7 May 1999.

The pension charge for the period was £386,761. The market value of the scheme's assets as at 31 March 2000 was £648,232. The contributions of the Assembly and Members have been set at 18.5 per cent and 6 per cent of earnings respectively.

Further information on the Assembly Members' Pension Scheme can be found in the annual report and accounts for the scheme for the period 7 May 1999 to 31 March 2000 published in October 2000.

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3. Other Administration Costs

Other Assembly Costs

| | To 31 March 2000 | |
|-----------------------------------|-------------------------|-----------------------------|
| | £000 | £000 |
| Members' expenses & support costs | 3,193 | |
| Assembly accommodation & IT | 7,816 | |
| Election & other expenses | <u>638</u> | |
| | | <u><u>11,647</u></u> |

Other Administration Costs

| | To 31 March 2000 | |
|---|-------------------------|-----------------------------|
| | £000 | £000 |
| Accommodation | 2,764 | |
| Central administration | 2,353 | |
| Rentals under operating leases | | |
| - accommodation | 652 | |
| - hire of vehicles and office equipment | 152 | |
| Travel, subsistence and hospitality | 1,773 | |
| IT & Telecommunications | 5,989 | |
| Other | <u>2,002</u> | |
| | | 15,685 |
| Non Cash Items: | | |
| Depreciation | 614 | |
| Cost of capital charge | 1,227 | |
| Impairment of tangible fixed assets | 67 | |
| Provision for early departure and pension costs | <u>303</u> | |
| | | <u>2,211</u> |
| Total Other Administration Costs | | <u><u>17,896</u></u> |

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4. Net programme costs

| | To 31 March 2000 | |
|--|------------------|-------------------------|
| | £000 | £000 |
| Net Expenditure met from Assembly Budget | 5,473,124 | |
| Expenditure Outside Assembly Budget | <u>21,024</u> | |
| | | 5,494,148 |
| Non-cash items: | | |
| Write-off of capitalised expenditure (assets under construction) | 13,918 | |
| Cost of Capital | 314,707 | |
| Depreciation | | |
| Agriculture & Rural Development | 82 | |
| Housing, Transport & Environment | 52,308 | |
| Health & Social Services | 3 | |
| Loss on sale of fixed assets | <u>6</u> | |
| | | 381,024 |
| Total Programme Costs | | <u>5,875,172</u> |
| Programme Income | | <u>(549,728)</u> |
| Net Programme Costs | | <u>5,325,444</u> |

5. Amount payable to the Auditor General for Wales

The amount payable to the Auditor General for Wales represents the total cost of his office, less fees recoverable by him from the audit of accounts of bodies other than the Assembly. Of the total payable of £851,000, £175,000 represents the cost of placing an audit opinion on this account and £25,000 the cost of other audit work related to this account.

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6. Operating income

| | Retainable by Assembly £000 | Not Retainable by Assembly £000 | Total £000 |
|---|-----------------------------------|---------------------------------------|-----------------------|
| Programme income | | | |
| Within Assembly Budget | | | |
| - external rents | 219 | - | 219 |
| - Trust debt remuneration | 79,944 | - | 79,944 |
| - recovery of demand led NHS expenditure | 24,846 | - | 24,846 |
| - Family health services & Trusts Income | 43,224 | - | 43,224 |
| - receipts from funding bodies | 7,437 | - | 7,437 |
| - other income | 37,823 | 12 | 37,835 |
| Outside Assembly Budget | | | |
| - EU and other Income | 138,627 | 893 | 139,520 |
| - Department of Social Security health funding | 216,703 | - | 216,703 |
| | <u>548,823</u> | <u>905</u> | <u>549,728</u> |
| Assembly Income | <u>386</u> | | <u>386</u> |
| | 549,209 | 905 | 550,114 |
| Administration income | | | |
| - rents (other government depts.) | 468 | - | 468 |
| - Fees & Charges | 81 | - | 81 |
| - notional service income from Wales Office | 165 | - | 165 |
| - disposal of Land | 1 | - | 1 |
| - other income | 212 | 21 | 233 |
| | <u>927</u> | <u>21</u> | <u>948</u> |
| | <u><u>550,136</u></u> | <u><u>926</u></u> | <u><u>551,062</u></u> |

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7. Income payable to the Consolidated Fund via Wales Office

| | To 31 March 2000 | |
|--|-------------------------|-------------------------|
| | Income £000 | Receipts £000 |
| Operating Income not retainable by the Assembly: | | |
| In Net Operating Cost | (33) | (33) |
| Outside Assembly Budget | (893) | (32,269) |
| | <u>(926)</u> | <u>(32,302)</u> |
| Non-Operating Income: | | |
| Other | (656) | (316) |
| Non-Domestic Rates | (426,418) | (429,293) |
| | <u>(428,000)</u> | <u>(461,911)</u> |

8. Analysis of capital expenditure, financial investment and associated receipts

| | To 31 March 2000 | | | | |
|--|------------------------|-------------------|------------------------|----------------------|------------------------|
| | Capital | | Loans | | Net Total £000 |
| | Additions £000 | Disposals £000 | Issues £000 | Repayments £000 | |
| Central Administration | (589) | 30 | (20) | 12 | (567) |
| Economic Development | - | - | (431) | - | (431) |
| Health & Social Services | - | - | (52,752) | 59,199 | 6,447 |
| Agriculture & Rural Development | - | - | - | - | - |
| Education & Training | - | - | - | - | - |
| Assembly | (1,327) | - | - | - | (1,327) |
| Housing, Transport & Environment | (68,718) | 725 | - | - | (67,993) |
| Local Government | - | - | (3) | 8 | 5 |
| Royal Commission for Ancient & Historic Monuments | - | - | - | - | - |
| National Loans Fund | - | - | (45) | 289 | 244 |
| Total | <u>(70,634)</u> | <u>755</u> | <u>(53,251)</u> | <u>59,508</u> | <u>(63,622)</u> |

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9. Tangible fixed assets

| | Roads & Infrastructure £000 | Freehold Land & Buildings £000 | IT, Plant & Equipment £000 | Assets under Construction £000 | Total £000 |
|--|-----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|------------------|
| Cost or Valuation | | | | | |
| Balance at 7 May 1999 | - | - | - | - | - |
| Transferred from Welsh Office | 7,571,254 | 29,781 | 5,849 | 96,496 | 7,703,380 |
| Additions | 43,998 | 689 | 662 | 26,884 | 72,233 |
| Assets brought into service | 41,086 | 500 | - | (41,586) | - |
| Disposals/Write-offs | (22,427) | (755) | (10) | (13,918) | (37,110) |
| Revaluations | 278,083 | 2,689 | (86) | - | 280,686 |
| At 31 March 2000 | 7,911,994 | 32,904 | 6,415 | 67,876 | 8,019,189 |
| Depreciation | | | | | |
| Balance at 7 May 1999 | - | - | - | - | - |
| Transferred from Welsh Office | 1,043,976 | 2,989 | 3,618 | - | 1,050,583 |
| Charged in year: net | 52,137 | 525 | 345 | - | 53,007 |
| Revaluations | 35,199 | (3,476) | (19) | - | 31,704 |
| Disposals | (3,067) | - | (4) | - | (3,071) |
| At 31 March 2000 | 1,128,245 | 38 | 3,940 | - | 1,132,223 |
| Net Book Value at 31 March 2000 | 6,783,749 | 32,866 | 2,475 | 67,876 | 6,886,966 |
| Net Book Value at 7 May 1999 | - | - | - | - | - |

Freehold land and buildings were valued on 31 March 2000 by GVA Grimley, Chartered Surveyors, on the basis of open market value for existing use in accordance with the 'Appraisal and Valuation Manual' produced jointly by the Royal Institute of Chartered Surveyors, the Incorporated Society of Valuers and Auctioneers and the Institute of Revenues Rating and Valuation.

The cost of maintaining the roads network of £43,998,000 is included in additions. £19,360,000 was the net value transferred to local authorities.

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10. Loans and investments

| | Public Dividend Capital | Other Loans | National Loans Fund | Total |
|----------------------------------|--|------------------------|------------------------------------|-------------------------|
| | £000 | £000 | £000 | £000 |
| Balance at 7 May 1999 | - | - | - | - |
| Transferred from Welsh Office | 1,099,296 | 81,799 | 12,704 | 1,193,799 |
| Issues | 28,710 | 12,228 | 45 | 40,983 |
| Repayments | (29,914) | (29,422) | (289) | (59,625) |
| Reconfiguration of Health Trusts | 61,733 | (61,733) | - | - |
| At 31 March 2000 | <u>1,159,825</u> | <u>2,872</u> | <u>12,460</u> | <u>1,175,157</u> |

Analysis of Loans & Investments as at 31 March 2000:

| | |
|--------------------------------|-------------------------|
| | Book Values |
| | £000 |
| Public Dividend Capital | |
| National Health Service | 1,150,749 |
| Welsh Development Agency | 9,076 |
| | <u>1,159,825</u> |
| Other Loans | |
| Education & Local Government | 2,357 |
| Staff Loans | 148 |
| Housing Loans & Mortgages | 367 |
| | <u>2,872</u> |
| National Loans Fund | |
| Welsh Development Agency | <u>12,460</u> |

The Fair Value of the above investments was £1,163,542,000 as at 31 March 2000 in line with the stated accounting policy.

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11. Movements in working capital other than cash

| | To 31 March 2000 |
|---|-------------------------|
| | £000 |
| Increase in stock | 2,323 |
| Increase in debtors | 210,754 |
| Increase in creditors | (918,894) |
| | <u>(705,817)</u> |
| Transfer of working capital from the Welsh Office on 1 July as reported in the Welsh Office departmental resource accounts for the period 1 April to 30 June 1999 | 85,454 |
| Subsequent adjustment arising from finalisation of working capital amounts transferred to the Assembly | 51,427 |
| | <u>(568,936)</u> |
| Less movement in amounts payable to the Consolidated Fund and other non-operating cost balances | 433,136 |
| | <u><u>(135,800)</u></u> |

12. Stocks

| | At 31 March 2000 |
|--------------------------|-------------------------|
| | £000 |
| Road salt | 284 |
| Telecommunication spares | 2,039 |
| | <u>2,323</u> |

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13. Debtors

At 31 March 2000

| | |
|--|-----------------------|
| Amounts falling due within one year: | £000 |
| Trade Debtors | 44,788 |
| Amounts owed to the Assembly repayable to the Consolidated Fund | 18,321 |
| Deposits & Advances | 7,393 |
| European Union | 105,418 |
| Other debtors | 777 |
| Other tax | 5,388 |
| Prepayments | 1,480 |
| | <u>183,565</u> |
| Amounts falling due after more than one year: | |
| European Union | 27,189 |
| Total debtors | <u><u>210,754</u></u> |

14. Cash at bank and in hand

At 31 March 2000

£000

The Office of HM Paymaster General (OPG) provides a current account banking service. The following balances are held 31 March 2000:

| | |
|---------------------------------|----------------|
| Balance at OPG | 528,298 |
| Commercial Banks & cash in hand | 31 |
| | <u>528,329</u> |

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15. Creditors

Creditors: Amounts falling due within one year

| | At 31 March 2000 |
|--|-------------------------|
| | £000 |
| Trade creditors | 323,483 |
| Other creditors | 3,582 |
| Tax and social security | 666 |
| Accruals & deferred income : | |
| European Union | 82,313 |
| Other | 1,624 |
| Amounts payable to the Consolidated Fund via Wales Office | 475,109 |
| | <u>886,777</u> |

Creditors: Amounts falling due after more than one year

| | At 31 March 2000 |
|--|-------------------------|
| | £000 |
| Payable to the National Museum of Wales in respect of the sale of the Welsh Industrial and Maritime Museum | 4,200 |
| Retentions on Highways and Transport contracts | 728 |
| Trade Creditors | 27,189 |
| | <u>32,117</u> |

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16. Provisions for Liabilities and Charges

| | |
|---|--------------|
| Early Retirement and Pension Provisions | £000 |
| Balance at 7 May 1999 | - |
| Transferred on 1 July 1999 | 4,409 |
| Amount written off in period | (3,317) * |
| Amount paid in period | (315) |
| Amount provided in period | 303 |
| | <u>1,080</u> |

* The Welsh Office accounts included a provision for subsidised loan interest. The Assembly has decided not to continue with this provision in accordance with FRS 12 requirements.

17. Revaluation Reserve

| | £000 | £000 |
|---|--------------|-----------------------|
| Opening Balance at 7 May 1999 | | - |
| In Period Revaluation* | | |
| Surplus Land | 115 | |
| Roads | 242,884 | |
| Land & Buildings | <u>6,050</u> | |
| | | 249,049 |
| Transfer to the General Fund in respect of | | |
| - adjustment for prior year roads & infrastructure assets base data | (22,840) | |
| - realised element of revaluation reserve | <u>(47)</u> | |
| | | (22,887) |
| Balance at 31 March 2000 | | <u><u>226,162</u></u> |

* Other revaluation amounts shown in note 9 relating to IT plant and equipment (£67,000) have been written off to the Operating Cost Statement in the period.

The revaluation reserve reflects the balance of adjustments made to take account of price changes and revaluation of tangible fixed assets.

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18. Reconciliation of net operating cost to changes in general fund

| | £000 | £000 |
|---|---------|--------------------------------|
| Net operating cost for the period (Schedule 2) | | (5,400,748) |
| Transfer to general fund from Welsh Office at 1 July 1999 | | 7,702,114 |
| Fair value adjustment to balances transferred * | | (14,261) |
| Net Parliamentary funding | | 5,037,907 |
| Assembly costs in the period to 1 July 1999 funded by the Welsh Office | | 1,650 |
| Income not retained payable to the Consolidated Fund | | (893) |
| Capital repayments payable to Consolidated Fund | | (132) |
| Detrunked roads transferred to Local Authorities | | (19,360) |
| Transferred from revaluation reserve | | <u>22,887</u> |
| | | 7,329,164 |
| Notional charge and credit: | | |
| Cost of Capital | 315,934 | |
| Notional income for services provided to Wales Office | (165) | |
| | | 315,769 |
| Net increase in the general fund | | <u>7,644,933</u> |
| Balance at 7 May 1999 | | - |
| Balance at 31 March 2000 | | <u><u>7,644,933</u></u> |

* Adjustments arising from realisation of amounts transferred and changes to accounting policies

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19. Capital Commitments

At 31 March 2000

£000

Capital commitments at 31 March 2000
for which no provision has been made in
these accounts were as follows:

Transport & Highways Directorate

35,015

20. Commitments under operating leases

At 31 March 2000

| Land & Buildings £000 | Other £000 | Total £000 |
|-----------------------------|---------------|---------------|
|-----------------------------|---------------|---------------|

At 31 March 2000 the Assembly was
committed to making the following
payments during the next year in respect
of operating leases expiring:

| | | | |
|----------------------------|--------------|------------|--------------|
| within one year | 42 | 40 | 82 |
| between two and five years | 30 | 200 | 230 |
| after five years | 2,564 | - | 2,564 |
| | 2,636 | 240 | 2,876 |

21. Revenue Commitments

Private Finance Initiative (PFI) Commitments

At 31 March 2000 the Assembly was
committed to making the following
payments during the next year in
respect of PFI schemes expiring:

At 31 March 2000

| | Total £000 |
|----------------------------|---------------|
| within one year | - |
| between two and five years | 10,030 |
| after five years | 13,750 |
| | 23,780 |

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Siemens Business Services provide IT hardware, software and support services, known as 'OSIRIS', to the Assembly under a PFI contract. Outside contractors were commissioned by the Assembly under the PFI scheme to build a carriageway across Anglesey.

Other Commitments

The Assembly entered into non-cancellable contracts (which were not operating leases) totalling £1,206,000 as at 31 March 2000.

At 31 March 2000

£000

At 31 March 2000 the Assembly was committed to making the following payments during the next year in respect of other commitments expiring:

| | |
|----------------------------|---------------------|
| within one year | 806 |
| between two and five years | 400 |
| after five years | - |
| | <u><u>1,206</u></u> |

22. Contingent liabilities

At 31 March 2000

£000

| | |
|--|---------------------|
| Potential contractual obligations | 3,598 |
| Compensation Claim | 30 |
| Redundancy Costs - Higher Education Institutions | 2,700 |
| Total contingent liabilities | <u><u>6,328</u></u> |

The National Assembly for Wales has inherited a number of unquantifiable contingent liabilities resulting from the wind up of the former Cardiff Bay Development Corporation (CBDC). Obligation for the payment of such liabilities was passed to the National Assembly by way of a local Statutory Instrument, The Cardiff Bay Development Corporation (Transfer of Property, Rights and Liabilities) Order under 2000, made under S165 of the 1980 Local Government Planning and Land Act (as amended).

The Assembly is an underwriter of last resort of the cases handled by the Welsh Risk Pool, which is managed by Conwy and Denbeighshire NHS Trust. The summarised accounts of the NHS Trusts in Wales for 1999-2000 disclose provisions for the Risk Pool of £124,353,000 and contingent liabilities of £195,229,000.

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23. Analysis of net operating cost

| | To 31 March 2000 |
|--|-------------------------|
| | £000 |
| Core Department | 1,049,459 |
| Health Authorities | 1,998,689 |
| Local Government | 1,779,230 |
| Assembly Sponsored Public Bodies | 555,067 |
| Agency - Cadw | 7,903 |
| Estyn | 6,569 |
| Auditor General for Wales | 851 |
| Other Agencies: Farming & Rural Conservation Agency and Planning Inspectorate | 2,980 |
| | <u>5,400,748</u> |

24. Interest

| | To 31 March 2000 |
|--|-------------------------|
| | £000 |
| Interest Payable: | |
| National Loans Fund | <u>1,957</u> |
| Interest Receivable: | |
| National Loans Fund investments | (1,957) |
| Dividend received on PDC investments | (71,006) |
| Other loan interest (including Health loans) | (523) |
| Early departure annuity | (2) |
| | <u>(73,488)</u> |

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25. Credit approvals

The Assembly issues credit approvals annually to local authorities for the purpose of capital expenditure, as defined in the Local Government and Housing Act 1989. This allows an authority to borrow and enter into credit arrangements up to the limit of the credit approval. The repayment of borrowing and credit arrangements is taken into account in the annual local authority revenue settlement.

26. Additional accountability

a) Losses

| Main Expenditure Group | No of Cases | Amount £000 |
|----------------------------------|--------------------|------------------------|
| Agriculture & Rural Development | 68 | 58 |
| Housing, Transport & Environment | 12 | 17 |
| Central Administration | 14 | 4 |
| Local Government | 1 | 1 |
| Health & Social Services | 2 | 1 |
| Economic Development | 7 | 258 |
| Education & Training | 7 | 41 |
| Cadw | 10 | 9 |
| | 121 | 389 |

b) Special Payments

| Main Expenditure Group | No of Cases | Amount £000 |
|----------------------------------|--------------------|------------------------|
| Housing, Transport & Environment | 2 | 1,087 |
| Agriculture & Rural Development | 19 | 55 |
| Health & Social Services | 1 | 2 |
| | 22 | 1,144 |

Single items over £100,000

| Main Expenditure Group | |
|-----------------------------------|--------------|
| Housing Transport & Environment # | 1,001 |

Issues on a contract had been referred to arbitration. Expert advice concluded that the Assembly would be at risk and with full support of legal counsel & Treasury solicitors that recommendation of a settlement be made. The settlement confirmed by the arbitration's final award by consent was beneficial to the Assembly as it removed the uncertainty of a potential major financial liability and thus minimised expenditure.

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27. Related Party Transactions

The Assembly is a parent department of Cadw and the NHS Bodies in Wales. These bodies are regarded as related parties with which the Assembly has had various material transactions during the period.

The Assembly funded by Parliamentary Grant through the Office of the Secretary of State for Wales, which is regarded as a related party. The Assembly has also had a number of transactions with Government Departments and other central Government bodies including Assembly Sponsored Public Bodies (ASPBs).

Arts Council of Wales
Cardiff Bay Development Corporation
Countryside Council for Wales
Department of Trade and Industry
Environment Agency
Farming and Rural Conservation Agency
Forestry Commission
Further Education Funding Council for Wales
Government Property Lawyers
Higher Education Funding Council for Wales
Local Authorities in Wales
Meteorological Office
Ministry of Agriculture, Fisheries and Food
National Library of Wales
National Museums & Galleries of Wales
NHS Health Trusts in Wales
Police Authorities in Wales
Qualifications, Curriculum & Assessment Authority for Wales
Sports Council for Wales
Treasury Solicitor
Trunk Road Agencies in Wales
Valuation Office Agency
Wales Tourist Board
Welsh Development Agency
Welsh Language Board
Welsh National Board for Nursing, Midwifery and Health Visiting

None of the Assembly's Members, key managerial staff or other related parties has undertaken any material transactions with the Assembly during the period.

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28. Concurrent Powers over the Transfer of Assets & Liabilities;

The Assembly, by means of an Order in Council made under section 23 of the 1998 Government of Wales Act, took over responsibility on 1 July 1999 for most of the functions that were previously the responsibility of the Secretary of State for Wales. Legal advice obtained by the Assembly after 1 July 1999 indicated that certain of the intended functions (and related assets and liabilities) had not transferred to the Assembly. Thus, the Secretary of State for Wales continued to have responsibility for these after 1 July 1999 until the relevant Parliamentary Orders took effect by March 2000. With the approval of the Treasury, the Assembly operated all the non-transferred schemes contracts and made estimated payments of £69.5 million on behalf of the Secretary of State for Wales acting under agency agreements made under Section 41 of the 1998 Act.

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REPORT OF THE AUDITOR GENERAL FOR WALES

National Assembly for Wales: 1999-2000 Account

Introduction

1. The National Assembly for Wales (the Assembly) came into existence on 7 May 1999 following the passing of the Government of Wales Act 1998 and the first ordinary election of Members. Most of the functions of the Secretary of State for Wales, arising from over 300 Acts of Parliament, were transferred to the Assembly on 1 July 1999 in accordance with the National Assembly for Wales (Transfer of Functions) Order 1999 (SI 1999/672) made under Section 22 of the Act. All property, rights and liabilities of the Secretary of State associated with the exercise of those functions were also transferred to the Assembly on that date.
2. The Assembly's resource account for the period 7 May 1999 to 31 March 2000 has been prepared in accordance with Section 97 of the 1998 Act and with a direction issued thereunder by the Treasury on 18 October 2000. In this report, and without qualifying my audit opinion, I summarise the main issues arising from my examination of this account – the first to be prepared by the Assembly. I also comment on a number of important planned developments, which will impact significantly on the preparation of future such accounts.

Development of resource accounting and budgeting

3. Since 1866, government departments have prepared their annual accounts (known as appropriation accounts) on a receipts and payments basis. These accounts show the cash amounts paid and received by departments during the year with explanations for significant variations from the Supply Estimates approved by the House of Commons. They treat capital and revenue expenditure in an identical manner, and do not reflect the underlying use of resources (including those purchased from capital budgets in earlier years) by departments. Moreover, they do not include balance sheets that show the value of departments' assets and liabilities at the year-end.
4. From the 1999-00 year of account, the Treasury has directed that government departments should produce resource accounts in parallel with appropriation accounts. Resource accounts are commercial style, accruals based, show the full cost of resources utilised during the year and include year-end balance sheets. The guidance for the production of these accounts is contained in the Resource Accounting Manual. In compiling the Manual, the Treasury had full regard to Financial Reporting Standards issued by the Accounting Standards Board, and it is therefore in line with best accounting practice in the United Kingdom.

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5. Under the Government Resources and Accounts Act 2000 the Treasury will require departments to produce their annual estimates on a resource (rather than the present cash receipts and payments) basis for the 2001-02 financial year onwards. From then, departments will no longer be required to produce appropriation accounts.

Introduction of resource accounting in the National Assembly for Wales

6. From the outset, the Treasury intended to direct the Assembly under Section 97 of the Government of Wales Act 1998 to produce its annual accounts on a resource basis. With this in mind, the former Welsh Office joined other government departments in producing a 'dry run' account for 1998-99. The National Audit Office undertook a full audit of that account and I reported its findings to the Assembly in my General Report on the Financial Audit of 1998-99 accounts (published on 17 March 2000).
7. I am pleased to report that Assembly staff have addressed some of the problems that arose during the 1998-99 exercise and that I referred to in my General Report. In particular, the quality of the information provided in support of the figures in the 1999-00 accounts is much improved, and it is evident that senior management is demonstrating a greater involvement in the account preparation process.
8. The Treasury also directed that an account be prepared for the former Welsh Office for the period 1 April to 30 June 1999. The notes supporting the balance sheet at 30 June 1999 show the value of assets and liabilities transferred to the National Assembly on the following day. This account was laid before the Assembly on 11 July 2000 and was the first resource account to be published for a government department in the United Kingdom, albeit one that covered only part of a financial year and with some disclosure exemptions granted by the Treasury.

Examination of the Assembly's 1999-2000 resource accounts

Preparation of the accounts

9. Under Section 97 of the Government of Wales Act 1998 as amended by the Government Resources and Accounts Act 2000, the Assembly is required to forward to me its signed accounts by no later than 30 November of the financial year following that to which the accounts relate. The Accounting Officer signed the account for the period ended 31 March 2000 on 29 November 2000, in accordance with this statutory requirement.
10. Originally, the Finance Group agreed with National Audit Office Wales staff to provide an account for audit by the end of July. In the event, this was not achieved until 18 October - some two and a half months after the agreed

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date and six and a half months after the end of the period to which the account relates. This account presented for audit had some important differences such that the final signed account incorporated a number of significant amendments both to the figure work and to the presentation. The Finance Group informed me that the main reasons for the difficulties encountered were:

- Unforeseen accounting difficulties created by the transfer of functions from the Welsh Office to the Assembly on 1 July 1999;
- The need to produce two sets of accounts for audit during a 12 month period - the 1999-2000 accounts and the accounts at 30 June 1999 (paragraph 8 refers);
- Shortage of suitably qualified accounting staff; and
- Difficulties in obtaining and compiling some of the essential accounting information to the necessary internal deadlines.

11. For 1999-00, the Treasury has exempted the Assembly from the requirement to consolidate within its account those of the Welsh health authorities and its executive agency (Cadw: Welsh Historic Monuments). Also the Assembly was not required to prepare a Statement of Resources by Aim and Objectives. These exemptions were given solely as a result of the decision to transfer the Secretary of State's functions to the Assembly part way through the financial year. They will not apply from 2000-01 onwards.

12. Given the additional accounting requirements to be placed on the Assembly from 2000-01, it is important that senior management staff act promptly to identify and address the lessons to be learned from the difficulties and the delayed preparation of the 1999-00 account. In particular, the Finance Group should ensure that it has an adequate number of qualified and experienced accounting staff assigned to this task. In addition, the Group needs to devise more rigorous internal procedures with a view to ensuring that an acceptable account is delivered for audit in line with the agreed timetable.

Assets and liabilities transferred from the Welsh Office on 1 July 1999

13. In my report published with the Welsh Office account for the three-month period ended on 30 June 1999, I commented on certain functions and the related assets and liabilities that had not transferred to the Assembly as intended on 1 July 1999. These functions were mainly in respect of European structural funds and other grant schemes where the Assembly is required to exercise its powers concurrently with a Minister of the Crown. I am satisfied that these functions were subsequently transferred legally, on or before 31 March 2000, by agency agreements made under Section 41 of the Government of Wales Act 1998. The Assembly's 1999-2000 resource accounts disclose payments of £69.5 million made by the Assembly on behalf of the Secretary of State for Wales under these agreements.

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14. As part of my audit of the Assembly's account for the period ended on 31 March 2000, I examined the accounting entries for the assets and liabilities transferred from the Welsh Office including transfers made subsequent to 1 July 1999. In all material respects I am satisfied that the appropriate assets and liabilities have been properly transferred and that they have been properly reflected in the Assembly's accounting records.

Reconciliation of the Assembly's general ledger to its bank statements

15. The Assembly's accounting system contains a general ledger that summarises the individual financial transactions in a form that is suitable for the production of its annual accounts and internal management information reports. One of the key financial controls supporting the integrity of the general ledger is its reconciliation to the monthly bank statements. In essence, the ledger should be capable of reconciliation to these external statements after adjusting for un-presented cheques and uncleared receipts. In the absence of such regular and prompt reconciliations that are fundamental to the financial control process, the Assembly runs the risk of payments being made without being brought properly to account (including possible erroneous or fraudulent payments) and remaining undetected.

16. As a result of staffing difficulties, the Finance Group had not fully completed any of the monthly bank reconciliations from the transfer of functions in July 1999 to the summer of the year 2000. The March 2000 bank reconciliation, which supports a key figure in the year-end balance sheet, was not completed until late September 2000. There is also a knock-on effect in respect of the bank reconciliations for the current financial year, which was only being addressed towards the end of the year 2000.

17. From my test examination, I found no evidence to suggest that erroneous or fraudulent payments had arisen during the period in which reconciliations were not being undertaken. However, the existence of a backlog of monthly bank reconciliations did cause considerable difficulties in preparing and auditing the resource account. I asked the Finance Group to clear the current year backlog as a matter of urgency and to ensure that, in future, bank reconciliations are undertaken on a regular and timely basis. Assembly officials told me that, as at the date of this report, they had completed the reconciliations for the current financial year up to and including October.

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Future developments affecting the Assembly's resource accounts

Resource budgeting

18. When introduced, resource-based budgeting will enable the budgets and annual accounts to be compiled on a similar basis. These budgets will include the cost of holding capital assets as well as revenue costs. When fully implemented they will facilitate meaningful comparisons between the financial outturn and the original estimates.
19. The Treasury has set a timetable that requires all government departments to introduce resource-based budgeting from 1 April 2001. In Wales, Section 15 of the Government Resources and Accounts Act 2000 empowers the Secretary of State, with the Assembly's agreement to amend by Order the Government of Wales Act 1998 to facilitate the introduction of resource budgeting within the Assembly. The Assembly's Cabinet has endorsed the principle of cash-based budgeting for 2001-02 but is considering the introduction of resource-based budgeting for 2002-03 onwards. I will keep developments in this important area under review.

Whole of Government of Wales accounts

20. In accordance with Section 101A of the Government of Wales Act 1998, (as inserted by Paragraph 24 of Schedule 1 of the Government and Resources Act 2000), and at a time determined by the Treasury, the Assembly will be required to prepare and publish Whole of Government of Wales Accounts on a resource accounting basis. I will be required to audit these accounts. To achieve this objective, the Treasury proposes to direct the Assembly to consolidate within its accounts the financial results of public bodies in Wales on an incremental basis from the 2000-01 financial year. For its part, the Treasury will also be required to prepare a whole of government account for the United Kingdom.
21. For 2000-01, the Assembly will consolidate within its own accounts the audited accounts of Cadw, the five Welsh health authorities and the newly formed Welsh European Funding Office. In future years, the process will lead eventually to the consolidation into the Assembly's accounts of the results of all Assembly sponsored public bodies, National Health Service Trusts and local authorities. This will result in an important annual summary being produced of the financial activities and performance of the public sector in Wales. The National Audit Office Wales is liaising closely with Assembly officials over the preparatory work required for this important and demanding initiative.

New accounting system

22. The Assembly inherited its current accounting system from the former Welsh Office. The system had been implemented with the primary

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purpose of facilitating effective financial management and control on a cash basis and the preparation of annual appropriation accounts. Both the Assembly and the former Welsh Office have prepared resource accounts from the current system. However, the production of these accounts has required the manual collection and analysis of certain accruals-based financial information after the year-end and the use of stand-alone systems for the reporting of certain balance sheet figures such as fixed assets and stock.

23. The Assembly intends to replace this system with a fully integrated accruals-based accounting system. This should ensure that the financial management and reporting structures under resource accounting and budgeting are linked more directly to the supporting financial information. In my General Report on the Financial Audit of 1998-99 Accounts, I stated that the Assembly originally intended to implement the new system on 1 April 2001. However, the Permanent Secretary told the Audit Committee on 15 June 2000 that this had been deferred to 1 April 2002 to enable an extended period for design and testing. Until this new system is fully operational and working so that it enjoys the confidence of those taking decisions, the full benefits of resource accounting and budgeting will not be achieved. In particular, various key financial decisions will continue to be taken on the basis of cash-based rather than resource-based information.
24. Assembly officials will need to ensure that the project is prioritised and staffed appropriately to achieve its full implementation by 1 April 2002. I intend to examine the progress made as part of my audit of the 2000-01 resource accounts.

Conclusions

25. I have provided an unqualified opinion on the Assembly's 1999-2000 resource account, which includes the assets and liabilities transferred from the Welsh Office on 1 July 1999. The Assembly has made good progress in addressing the concerns that I have raised previously - particularly in relation to the quality of the audit trail provided in support of the account.
26. However, the Assembly will need to address the issues that I have raised in this report especially the delay in reconciling the general ledger to the bank statements, and the difficulties with the accounts preparation process. The latter is critical as the accounting requirements are set to become more onerous in the years ahead.

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27. The successful and early introduction of a fully integrated accruals based accounting system is necessary to enable the Assembly to benefit fully from the introduction of resource accounting and budgeting. It will enable various key financial decisions to be taken on the basis on resource rather than cash-based financial information. It will also enable the Assembly to move away from the present unsatisfactory arrangements whereby the annual accounts are prepared from information collected from a variety of sources well after the year-end.

John Bourn
**Auditor General for Wales
21 December 2000**

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